

OFFICE OF ADVOCACY
U.S. SMALL BUSINESS ADMINISTRATION

April 14, 2000

Sent via e-mail

Michael Palage
Chair of Working Group B
Internet Corporation for Assigned Names and Numbers

Re: Small Business Impact of Famous Mark Protection

Dear Mr. Palage:

As you are aware, the Office of Advocacy of the U.S. Small Business Administration has held a roundtable discussion and conducted other outreach efforts to ascertain the small business impact of a proposal under consideration of Working Group B on the Internet Corporation for Assigned Names and Numbers ("ICANN"), which is tasked with the project of determining famous trademark protection. Regrettably, the Chief Counsel, Jere Glover, is out of town this week and was unable to review the information gained during the roundtable and our other outreach efforts. As a consequence, I am submitting these comments under my own signature. The Chief Counsel will review and make additional comments as needed when he returns to the office.

As a consequence of these outreach efforts, Advocacy has concluded that the current "modified sunrise proposal" would have a detrimental impact on small business and should not be adopted. Instead, Advocacy recommends that the working group adopt one of the three alternatives that we describe below.

To our understanding, the modified sunrise proposal contains the following elements:

- (1) Registered trademark holders would have the option of registering their trademark and a number of variations thereof, as domain names during a "sunrise period" whenever a new general Top Level Domain ("gTLD") is added to the Internet. The sunrise period would be a brief period of time before the new domain is available for the general public to register.
- (2) The trademark holder could only use the sunrise period to register in unrestricted gTLDs and chartered gTLDs that correspond to the class of industry in which the trademark is registered.
- (3) The trademark holder would have to pay for each registration.
- (4) Once registration is opened to the general public, trademarks do not receive any further benefit. There would be no use of filters on domain name registrations.
- (5) The sunrise period would be inapplicable to gTLDs designated for personal and non-commercial use.

Flaws in the Modified Compromise Proposal

Based upon information gained through our outreach efforts, Advocacy believes that the modified compromise proposal has foundational flaws that prevent the office from endorsing its adoption.

First, the sunrise provision allowing early registration by trademark holders is not grounded in law. U.S. trademark law is a balance of the rights of holders and the rights of non-infringing users of the mark. Furthermore, under U.S. trademark law, the holder has duty to police its mark. An early registration is granting trademark holders rights that are above and beyond the law. It is also overly-broad and will impact entities who aren't infringing the mark, as well as giving preferential treatment to one class of commercial entities over another. Finally, the sunrise creates a presumption that commercial use is the superior use of the Internet. While Advocacy believes that commercial use of the Internet is valuable to the economy, we do not believe that it should be given superior rights to individuals and non-commercial interests.

Second, the sunrise provision will not be effective in curbing trademark violations. The number of variations whether it be 5, 20 or 100 will never be enough to prevent all of the possible variations of trademark violation. Also, trademark violation can occur at the third or fourth levels of the domain name, such as www.nike.something.com. With the near infinite variations on trademarks and ability to circumvent the sunrise protections, the sunrise will be overly-broad, as discussed above, and underinclusive as it will not prevent trademark violation while depriving thousands of non-trademark holders of the ability to register for the name they desire to use in a non-infringing manner.

Third, as Advocacy stated in its April 4, 2000 letter, trademarks are already adequately protected by the Uniform Dispute Resolution Policy ("UDRP") and the Anticybersquatting Consumer Protection Act ("ACPA"). Also, through its outreach, Advocacy has learned private companies are now offering a monitoring service, which will track domain name registrations and notify a trademark holder when a domain is registered that is similar to the holder's trademark. Between the UDRP, the ACPA and these monitoring services, trademark holders have all the tools they need to prevent cybersquatting and enforce their trademark rights.

Fourth, there are factual differences between the circumstances surrounding the introduction of new generic Top Level Domains ("gTLDs") and the historical trademark violations in .com. All trademark holders will be on notice of the introduction of new gTLDs. No one will be taken by surprise when a new technology erupts on the scene like it did with .com. Also, the legal landscape has changed with the introduction of the ACPA and the UDRP to prevent cybersquatting.

Fifth, Advocacy is concerned that the sunrise period could create legal liabilities for ICANN. As a non-profit corporation registered in California, ICANN is subject to U.S. law, and there is a question whether this registration preference violates the First Amendment of the U.S. Constitution as a restriction of free speech. In addition, it is conceivable that a sunrise period

would constitute a restraint in trade or an attempt to combine with other persons to monopolize the name space, which is a violation of Sections 1 and 2 of the Sherman Act.

Alternatives that Protect Trademarks without Negatively Impacting Small Business

Three alternatives were proposed by Advocacy or the participants during the course of its outreach efforts. Advocacy believes that all three of these alternatives satisfy the rights of trademark holders while preserving opportunities for small businesses.

The first alternative is to introduce a large number of new gTLDs. This expansion of the name space will provide alternative names to businesses and diminish the value of cybersquatting. With each new gTLD, the ability for any cybersquatter to extort payment from a particular trademark holder diminishes. Furthermore, as new gTLDs are introduced to the Internet, consumers will become aware that a .com Web site is different than a .biz Web site, lessening confusion. This alternative is especially attractive because of the need for new gTLDs that currently exists and the opportunities such an expansion will bring to small businesses. The total number of gTLDs ultimately introduced must be high for this alternative to work effectively. The introduction could be measured and at a reasonable pace but must be continual and limited only by what the market will bear.

The second alternative is to create a chartered gTLDs for use by trademark holders. This gTLD could be called .fame or .tmk. It's charter would allow all registered trademarks to register within it. This insures that trademarks would have the domain name of their choice, assuming that another trademark holder did not register it first.

The third alternative is a variation of the modified sunrise proposal. Under this alternative, the holder of a registered trademark could register the name identical to its trademark during the sunrise period for a chartered gTLD whose charter corresponds to that trademark's international class of industry and service. This means that a the sunrise registration would only apply to chartered gTLDs and that only those trademarks whose class of industry or service corresponds with that charter could register during the sunshine period. Furthermore, the holder may register the domain name identical to the trademark – no variations. There would be no sunshine period for unrestricted gTLDs and gTLDs whose charter does not correspond with a class of industry.

Advocacy believes that this proposal will not have an overly burdensome impact on small businesses, while affording some measure of special protection for trademark holders. Furthermore, it will be efficient for registrars because they only have to ascertain that the sunrise registered name is a registered trademark instead of ensure that 20 or so other names are variations of a trademark.

To conclude, Advocacy asks the working group not adopt the modified sunrise proposal. Instead, it should adopt one of the three alternatives that Advocacy has listed in this letter. We will gladly continue to work with you and the working group to reach a conclusion that is satisfactory to all.

Sincerely,

Eric E. Menge
Assistant Chief Counsel
for Telecommunications